

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: #1293-05
Bill No.: SB 560
Subject: Engineers, Environmental Protection, Water Resources & Water Districts, Sewer and Sewer Districts
Type: Original
Date: March 11, 2003
#Correct L.R. No.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Design and Construction** assume no fiscal impact to their agency.

Officials from the **Office of Secretary of State** assume this proposal requires the safe drinking water commission to determine a “per capita average cost” and then reward engineers that design and construct water and sewer facilities that operate lower than the “per capita average cost.” The proposal will result in the safe drinking water commission promulgating new rules. These rules would be published in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the safe drinking water commission requires as many as thirty-two (32) pages in the Code of State Regulations. For any given rule roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code is \$27. The actual cost could be more or less than the numbers given.
 $[(32 \times \$27) + (48 \times \$23) = \$1,968]$

Oversight assumes the SOS could absorb the costs of printing and distributing regulations

ASSUMPTION (continued)

related to this proposal. Oversight assumes at least part of the cost of printing and distributing rules relating to this proposal could be recovered through sales of the regulations. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriate process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Natural Resources (DNR)** currently, have an inventory system that utilizes the national standard categories to track the public water supplies. The proposal would require the department to maintain the same information under the classifications outlined in the proposal. The department assumes this can be done with existing resources.

The proposal also establishes a time line for permit applications that have been submitted by a licensed engineer who has a performance bond for that project. Since the department has to issue the permit within the sixty days, the department assumes that the application will be in compliance with all state and federal drinking water standards. If this is not the case, depending upon the non compliance there could be a potential for poor facility design, danger to public health, costly operational and redesign problems for the system later on. In addition, this requirement adversely affects EPA's determination of primacy for the state of Missouri. A decision to withdraw primacy would result in an annual loss of about \$13.3 million in federal funds granted to the state of Missouri (including funding for the Drinking Water State Revolving Fund) and \$2.4 million in primacy fees. Withdrawal of primacy would also render the State of Missouri ineligible to receive a \$3 million federal grant to provide training to operators of small drinking water systems.

The proposal would also allow the managerial, technical and financial capacity to be determined by the bonded engineer. The department assumes that the bonded engineer would use the same criteria as the department of this provision. Since managerial, technical, and financial capacity is a federal requirement, the department could loose 20% of the Drinking Water State Revolving Fund capitalization grant if the same criteria is not used. This is approximately \$2 million annually. As a condition of receiving this federal money, the department must have legal authority or other means to assume that all new water systems meet technical, managerial, and financial requirements, except for those systems classifies as transient systems (for example, rest areas, restaurants, etc.).

The department may assess administrative penalties on the performance bond for the engineer as well as the violator. This provision would allow another entity to be held responsible for any violations. The department does not anticipate a fiscal impact from this provision.

ASSUMPTION (continued)

The proposal states that any project which receives state or federal funds shall use the formula established in this proposal to determine the payment for costs incurred in the planning and design of the projects. The CWC is to develop the criteria to determine the "per capita average cost" for construction and operation of a wastewater or drinking water facility and the criteria to compensate the engineer for design and construction of wastewater or drinking water facilities which are lower in cost than the per capita cost. The criteria must be based on assessments of the records and financial cost for similar projects or facilities in this state within the previous three years. The department currently does not require the systems to provide some of the information necessary for the "per capita average cost" calculation.

The department would need to request additional resources to acquire this data and keep it updated so the per capita average cost could be calculated. However, since the universe of the amount of data the department would have to evaluate is unknown, the department is unable to determine the fiscal impact.

In addition, the proposal modifies the rural water grant amount limits on projects that have a certified design and operation plan to the amount determined by the formula outlined in the proposal. This provision would not impact the department, however, if the modified grant caps are higher than those currently used, then fewer projects would be funded.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE			
<u>Cost</u> - Department of Natural Resources	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED COST GENERAL REVENUE	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Federal Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<u>Loss</u> - Federal Funds	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED LOSS FEDERAL FUNDS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Any small business that obtains a drinking water permit or receives grant money for drinking water would be affected.

DESCRIPTION

This act establishes a system by which the Clean Water Commission determines a per capita cost average for all safe water remediation projects in the state to encourage the subsequent designer firms or engineers to prepare engineering plans which have an average cost less than the per capita average by offering bonuses for the below cost design.

The Commission establishes the per capita average cost by dividing up the state into six classes by population. This act would apply to any state or federally funded project.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Office of Administration -
 Division of Design and Construction
Office of Secretary of State

L.R. No. 1293-05
Bill No. SB 560
Page 6 of 6
March 11, 2003

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 11, 2003